CROSSROADS COMMUNITY CHURCH, INC.
AND SUBSIDIARY

August 31, 2018

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Crossroads Community Church, Inc. and Subsidiary
Cincinnati, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Crossroads Community Church, Inc. (a nonprofit organization) and its Subsidiary, Crossroads OSG, Inc., which comprise the consolidated statements of financial position as of August 31, 2018, and the related consolidated statements of activities and cash flows, for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Crossroads Community Church, Inc. and its Subsidiary, as of August 31, 2018, and the consolidated changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 17 through 20 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Crossroads Community Church, Inc. and its Subsidiary as of August 31, 2017, were audited by other auditors whose report dated December 22, 2017, expressed an unmodified opinion.

VonLehman & Company Inc.

Fort Wright, Kentucky
December 26, 2018

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	August 31, 2018	August 31, 2017
Cash	$ 3,690,959	$ 1,175,764
Cash - Restricted	407,411	264,895
Accounts Receivable	734,876	501,179
Prepaid Expenses and Other Assets	609,828	674,267
Investments	322,265	154,452
Notes Receivable	42,963	64,405
Loan Receivable	6,105,723	6,105,723
Property and Equipment, Net	130,871,354	127,093,910
Total Assets	$ 142,785,379	$ 136,034,595

LIABILITIES AND NET ASSETS

	August 31, 2018	August 31, 2017
Liabilities		
Accounts Payable	$ 1,804,476	$ 1,512,184
Accrued Expenses	731,830	2,410,878
Deferred Revenue	583,851	537,067
Line of Credit	22,000,000	18,208,407
Notes Payable	38,170,391	38,744,540
Total Liabilities	63,290,548	61,413,076
Net Assets		
Unrestricted	79,087,420	74,356,624
Temporarily Restricted	407,411	264,895
Total Net Assets	79,494,831	74,621,519
Total Liabilities and Net Assets	$ 142,785,379	$ 136,034,595

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support			
Ministry Contributions	$ 34,008,250	$ 390,000	$ 34,398,250
I'm In Campaign	-	23,844,361	23,844,361
Mission Trip Contributions	1,529,327	-	1,529,327
Camp and Preschool Income	1,160,122	-	1,160,122
In-Kind Revenue	117,857	-	117,857
Realized Loss	(8,670)	-	(8,670)
Interest Income	97,394	-	97,394
Gain on Sale of Property and Equipment	3,428,629	-	3,428,629
Other Income	99,754	-	99,754
Total Revenue, Gains, and Other Support	40,432,663	24,234,361	64,667,024
Net Assets Released From Restriction	24,091,845	(24,091,845)	-
Total Revenue, Gains, Other Support, and Reclassifications	64,524,508	142,516	64,667,024
Expenses			
National Team Operations	17,175,580	-	17,175,580
Campus Operations	18,978,624	-	18,978,624
Depreciation	10,138,300	-	10,138,300
ReachOut	5,677,748	-	5,677,748
Information and Technology	5,353,514	-	5,353,514
Interest Expense	2,469,946	-	2,469,946
Total Expenses	59,793,712	-	59,793,712
Total Change in Net Assets	4,730,796	142,516	4,873,312
Net Assets Beginning of Year	74,356,624	264,895	74,621,519
Net Assets at End of Year	$ 79,087,420	$ 407,411	$ 79,494,831

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support			
Ministry Contributions	$ 32,378,757	$ 350,000	$ 32,728,757
I'm In Campaign	(1)	19,778,658	19,778,657
Mission Trip Contributions	1,883,265	-	1,883,265
Camp and Preschool Income	1,021,686	-	1,021,686
In-Kind Revenue	139,776	-	139,776
Realized Loss	(4,539)	-	(4,539)
Interest Income	94,573	-	94,573
Gain on Sale of Property and Equipment	255,815	-	255,815
Other Income	213,471	-	213,471
Total Revenue, Gains, and Other Support	35,982,803	20,128,658	56,111,461
Net Assets Released From Restriction	24,676,966	(24,676,966)	-
Total Revenue, Gains, Other Support, and Reclassifications	60,659,769	(4,548,308)	56,111,461
Expenses			
National Team Operations	16,743,015	-	16,743,015
Campus Operations	14,586,744	-	14,586,744
Depreciation	7,309,435	-	7,309,435
ReachOut	6,089,797	-	6,089,797
Information and Technology	4,693,729	-	4,693,729
Interest Expense	1,564,313	-	1,564,313
Total Expenses	50,987,033	-	50,987,033
Total Change in Net Assets	9,672,736	(4,548,308)	5,124,428
Net Assets Beginning of Year	64,683,888	4,813,203	69,497,091
Net Assets at End of Year	$ 74,356,624	$ 264,895	$ 74,621,519

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended August 31, 2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	$ 4,873,312	5,124,428
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	10,138,300	7,309,435
Amortization	16,222	16,222
Realized Loss on Investments	8,670	4,539
Debt Forgiveness	21,442	21,039
Gain on Sale of Property and Equipment	(3,428,629)	(255,815)
Changes in		
Accounts Receivable	(233,697)	25,080
Prepaid Expenses and Other Assets	64,439	(237,816)
Accounts Payable	292,292	(1,999,900)
Accrued Expenses	(1,679,048)	(4,912)
Deferred Revenue	46,784	227,163
Cash Provided by Operating Activities	10,120,087	10,229,463
Cash Flows From Investing Activities		
Purchases of Investments	(176,483)	(24,837)
Sale of Investments	-	14,831
Purchases of Property and Equipment	(15,450,837)	(35,526,113)
Proceeds from Sale of Property and Equipment	4,963,722	1,035,000
Cash Used by Investing Activities	(10,663,598)	(34,501,119)
Cash Flows From Financing Activities		
Proceeds from Issuance of Notes Payable	-	5,700,000
Proceeds from Note Payable		
Payments on Notes Payable	(590,371)	(516,661)
Line of Credit Activity	3,791,593	18,208,407
Cash Provided by Financing Activities	3,201,222	23,391,746
Change in Cash and Restricted Cash	2,657,711	(879,910)
Beginning Cash and Restricted Cash	1,440,659	2,320,569
Ending Cash and Restricted Cash	$ 4,098,370	$ 1,440,659

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

Crossroads Community Church, Inc. (the "Church") was incorporated as a not-for-profit church under the laws of the State of Ohio. The Church's mission is connecting seekers to a community of growing Christ-followers who are changing the world. The Church's revenue and other support are derived principally from contributions.

Crossroads OSG, Inc. ("OSG"), an Ohio Limited Liability Company, was established as a title holding corporation under Section 501(c)(2) of the Internal Revenue Code. OSG was organized exclusively for the purpose of holding title to real property, collecting income, and turning over the entire amount, less expenses, to the Church. The Church is the sole member of OSG.

All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounts Receivable

A large majority of the Church's accounts receivable represent credit card contributions made prior to year-end that have not been processed and transferred into the Church's bank account by the third party vendor until after year-end. Accounts receivable are stated at contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The Church begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Church's collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors the Church has estimated an allowance for doubtful accounts of $-0- at both August 31, 2018 and 2017.

Investments

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. The Church's policy is to promptly sell marketable securities contributed by donors.

Notes Receivable

The notes receivable are related to the NMTC and are stated at the contractual outstanding balance, net of any allowance. The Church evaluated this notes based on the past payment history and credit worthiness of the borrowers and determined that the receivables are fully collectible. Therefore, no loss allowance was established for these as of August 31, 2018 and 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable

The loans receivable are stated at the contractual outstanding balance, net of any allowance. The Church evaluated these loans based on the past payment history and credit worthiness of the borrowers and determined that the receivables are fully collectible. Therefore, no loss allowance was established for these as of August 31, 2018 and 2017.

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the time of the gift, and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized for items in excess of $5,000.

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings and Improvements	40 Years
Furniture, Fixtures, Software, and Equipment	3 – 5 Years
Vehicles	5 Years

Loan Closing Costs

Loan closing costs associated with long-term debt is capitalized and amortized over the life of the debt using the straight-line method. In accordance with Accounting Standard Update (ASU) 2015-03 Subtopic 835-30, these costs are shown on the consolidated balance sheet as a reduction of the loans in which they apply.

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during the year ended August 31, 2018.

Deferred Revenue

Support for mission trips is deferred and recognized in the period to which the mission trip actually takes place.

Classes of Net Assets

The accompanying consolidated financial statements have been prepared in conformity with the requirements of generally accepted accounting principles. Accordingly, the net assets of the Church are reported in each of the following three classes: a) unrestricted net assets, b) temporarily restricted net assets and c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted, and are reported as part of the unrestricted class.

The Church's temporarily restricted net assets are restricted by donors for specific purposes and are not available for full use until commitments regarding their use have been fulfilled.

As of August 31, 2018, the Church did not have any permanently restricted net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Crossroads records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long these long-lived assets must be maintained, Crossroads generally reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Donations

Crossroads receives certain in-kind donations during the year. In the event the value of the in-kind donation is material, they are recorded at fair value as in-kind revenue and an expense in the consolidated financial statements. For the years ended August 31, 2018 and 2017, Crossroads received in–kind donations in the amounts of $32,202 and $42,964, respectively.

Donated Services

Crossroads records donated services, if significant, as revenues in the period received only if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended August 31, 2018 and 2017, Crossroads received donated services in the amounts of $85,655 and $96,812, respectively. Crossroads pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Crossroads.

Functional Allocation of Expenses

The costs of providing various programs and services have been allocated among the programs and services benefited.

Advertising Costs

The Church’s expenses the cost of advertising when incurred.

Retirement Plan

The Church maintains a defined contribution retirement plan (the “Plan”) under Internal Revenue Code Section 403(b) for all eligible employees except leased employees and employees who normally work less than 25 hours per week. The Plan provides for both employee and employer contributions. The Church contributes a discretionary amount up to 5% of the employee’s regular salary. By its nature, the Plan is fully funded.

Deferred Compensation Plan

The Church sponsors a nonqualified deferred compensation plan for the benefit of several key management employees. The Church is the legal and beneficial owner of all deferred amounts, securities and earnings on the investments under the plan until the deferred amounts vest with the participants. Such amounts are subject to the general creditors of the Church.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Church is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. As a religious organization, the Church is not required to file annual federal or state informational returns. However, the Church is subject to federal income tax on any unrelated business taxable income.

The Church's IRS Form 990-T is subject to review and examination by federal and state authorities. Crossroads believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the consolidated financial statements.

OSG is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code and a similar provision of Ohio law. OSG is not considered a private foundation. However, OSG is subject to federal income tax on any unrelated business taxable income.

OSG's IRS Form 990 is subject to review and examination by federal and state authorities. OSG is not aware of any activities that would jeopardize its exempt status.

The Church has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Church recognized no interest or penalties in the consolidated statement of activities for the years ended August 31, 2018 and 2017. If the situation arose in which the Church would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior years are open under federal and state statutes of limitations and remain subject to review and change. The Church and OSG are not currently under audit nor have they been contacted by these jurisdictions.

Based on the evaluation of the Church's and OSG's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended August 31, 2018 and 2017.

Recently Issued Significant Accounting Standards

Lease Accounting Standard

In February, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2019.

Revenue Recognition Standard

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This standard may have an impact on the timing of when an entity recognizes certain revenue. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonprofit Standard

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities (Topic 958). The core principles of the guidance are a reduction in the number of net asset categories from three to two, reporting investment return net of external and internal investment expenses, the placed-in-service approach for reporting expirations of restrictions on donated assets and enhanced disclosures regarding designations and donor restrictions, qualitative and quantitative liquidity information, expense allocation methods, expenses by natural classification and function and underwater endowments. The ASU is effective for years beginning after December 15, 2017.

The Church is currently in the process of evaluating the impact of adoption of these ASUs on their consolidated financial statements

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

NOTE 2 - CASH AND CASH FLOW INFORMATION

At various times throughout the year, the Church may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to $250,000 for each business depositor.

For purposes of the consolidated statement of cash flows, the Church considers all highly liquid investments available for current use with an initial maturity of three months or less to be a cash equivalent.

Restricted cash at August 31, 2018 includes cash balances required by a donor to be held in a separate bank account for the Leadership Scholar Program.

Cash paid for interest during the year ended August 31, 2018 and 2017 was $2,453,724 and $1,548,091, respectively.

NOTE 3 - INVESTMENTS

Investments Held for Funding the Deferred Compensation Plan were as follows:

	August 31, 2018	August 31, 2017
Mutual Funds at Fair Market Value	$ 177,191	$ 99,820

The activity on the investments held for funding the deferred compensation plan is not recognized in the consolidated statements of activities as the employee is entitled to these earnings when the qualifications have been met for the employee to receive their payment under their plan. Accordingly, these amounts are recorded as increases and decreases to the deferred compensation liability recorded on the consolidated statements of financial position.

NOTE 3 - INVESTMENTS (Continued)

Other Investments were as follows:

	August 31, 2018	August 31, 2017
Cash and Cash Equivalents	$ 59,050	$ 42,281
Common Stock	69,507	12,351
Alternative Investments	16,517	-
Total Other Investments	$ 145,074	$ 54,632
Total Investments	$ 322,265	$ 154,452

NOTE 4 - FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for the identical assets or liabilities in active markets that the Church has the ability to access at the measurement date.

Level 2 - Inputs for the valuation methodology include quoted price for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for the assets measured at fair value. There have not been changes in the methodologies used at either August 31, 2018 or 2017.

Cash and Cash Equivalents: Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the quoted net asset value (NAV) of the shares held by the Church at year end.

Alternative Investments: Valued at the net asset value (NAV) of shares held by the Church at year end.

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Church believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Church's assets at fair value at August 31, 2018.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and Cash Equivalents	$ 59,050	$ -	$ -	$ 59,050
Mutual Funds	177,191	-	-	177,191
Common Stocks	69,507	-	-	69,507
Alternative Investments	-	16,517	-	16,517
Total Assets at Fair Value	$ 305,748	$ 16,517	$ -	$ 322,265

The following table sets forth by level, within the fair value hierarchy, the Church's assets at fair value at August 31, 2017.

Cash and Cash Equivalents	$ 42,281	$ -	$ -	$ 42,281
Mutual Funds	99,820	-	-	99,820
Common Stocks	12,351	-	-	12,351
Total Assets at Fair Value	$ 154,452	$ -	$ -	$ 154,452

NOTE 5 - NOTES RECEIVABLE

In May, 2011 as part of a key-person retention strategy, the Church provided financing to an employee who is not the Senior Pastor, Brian Tome. The Church will forgive one-eighth of the principal and accrued interest at a rate of 1.9% beginning April, 2012 until April, 2019. The annual forgiveness is contingent upon the employee's continued employment. If employment ends before maturity date, either because employee was terminated for cause or voluntary resignation, the outstanding balance of the principal and accrued interest will be paid by either the lesser of five years from the date of default or by maturity date at an interest rate of prime plus 2%. However, if the Church terminates the employee without cause, the outstanding balance of the principal and accrued interest will be paid by either the lesser of five years from the date of termination or until maturity date at an interest rate of 1.9%. The note receivable is secured by the mortgage of the employee's residence. As of August 31, 2018 and 2017, the outstanding balance was $21,853 and $43,295.

In June, 2016, the Church provided financing to a second employee who is not the Senior Pastor, Brian Tome. The principal sum is $21,110 and is fully callable by the Church, with an annual interest rate of 1.9%. The note may be forgiven by the Church in its sole discretion. As of both August 31, 2018 and 2017, the outstanding balance was $21,110.

NOTE 6 - LOAN RECEIVABLE

The Church has a loan receivable related to the New Market Tax Credit that is due over 25 years and has an interest rate of 1.42%.The OSG Investment, LLC ("the Fund") will pay the Church quarterly interest-only payments on the outstanding balance for the first 28 quarterly payments beginning in December, 2015 through September, 2022. The Fund begins to make quarterly principal and interest payments in December, 2022 through maturity in August, 2040.

Future minimum payments are as follows:

Years Ending August 31,	
2022	$ 160,614
2023	323,433
2024	326,680
2025	329,959
2026	333,271
Thereafter	4,631,766
	$ 6,105,723

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	August 31, 2018	August 31, 2017
Land	$ 10,721,248	$ 12,253,090
Buildings and Improvements	120,060,268	101,723,848
Construction in Progress	603,268	13,217,670
Equipment	15,058,148	11,542,451
IT Equipment and Software	16,941,979	11,180,224
Furniture and Fixtures	2,540,226	2,540,227
Vehicles	245,851	182,602
	166,170,988	152,640,112
Less Accumulated Depreciation	(35,299,634)	(25,546,202)
	$ 130,871,354	$ 127,093,910

NOTE 8 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

Accrued Payroll	$ 116,030	$ -
Employee Benefit Liabilities	297,445	498,568
Construction	-	1,409,956
Deferred Compensation	176,866	99,820
Other Accrued Expenses	141,489	402,534
	$ 731,830	$ 2,410,878

NOTE 9 - LINE OF CREDIT

The Church has established a $24,000,000 line of credit with a bank, collateralized by certain real estate and personal property of the Church expiring in February, 2019. Amounts outstanding bear interest at the lender's deposit rate plus 2.5% (4.0% at August 31, 2018 and 2017). At August 31, 2018 and 2017 $22,000,000 and $18,208,407, respectively was drawn on the line. In October, 2018, the Church and lender amended the line of credit agreement so that the maturity date is February, 2022.

NOTE 10 - NOTES PAYABLE

	August 31, 2018	August 31, 2017
The Church has a note payable with an unrelated party that bears interest at a rate of 4.4%. Monthly principal and interest payments of $130,244 are due until the maturity date in March, 2033 at which point the remaining unpaid principal and interest are due. The note is secured by mortgages on certain real and personal property owned by the Church and an assignment of interests in life insurance policies on the Senior Pastor. The note is subject to various covenants, all of which were met as of August 31, 2018 and 2017.	$ 24,377,755	$ 24,856,432
The Church has a note payable related to the payoff of an assumed mortgage with an unrelated party that bears interest at a rate of 4.4%. Monthly principal and interest payments of $29,821 are due until the maturity date in March, 2033 at which point the remaining unpaid principal and interest are due. The note is secured by mortgages on certain real and personal property owned by the Church and an assignment of interests in life insurance policies on the Senior Pastor.	5,532,856	5,644,550
OSG has two note payables, related to the New Market Tax Credit, with an unrelated third party that bears interest at 1.0%, with quarterly interest only payments of $4,562 due through September, 2022. Beginning December, 2022, quarterly principal and interest payments of $20,050 are due through maturity in August, 2045.	1,623,397	1,623,397
OSG has a second note payable, related to the New Market Tax Credit, that consists of two promissory notes with an unrelated third party that bear interest at 1.0%, with quarterly interest only payments of $19,768 due through September, 2022. Beginning in December, 2022, quarterly principal and interest payments of $86,869 are due through maturity in August, 2045.	7,033,664	7,033,664
Principal Amount	38,567,672	39,158,043
Less Unamortized Loan Costs	397,281	413,503
Total Notes Payable	$ 38,170,391	$ 38,744,540

NOTE 10 - NOTES PAYABLE (Continued)

Future minimum principal payments are as follows:

Years Ending August 31,		
2019	$	617,063
2020		641,568
2021		673,588
2022		869,239
2023		1,069,049
Thereafter		34,697,165
	$	38,567,672

NOTE 11 – LOAN COSTS SUBJECT TO AMORTIZATION

The following is a summary of loan closing fees subject to amortization:

	August 31,			
		2018		2017
Cost	$	454,149	$	454,149
Accumulated Amortization		(56,868)		(40,646)
Loan Closing Fees, Net	$	397,281	$	413,503

Amortization of these costs was $16,222 for both years ended August 31, 2018 and 2017. Estimated amortization for the five years subsequent and thereafter is as follows:

Years Ending August 31,		
2019	$	16,222
2020		16,222
2021		16,222
2022		16,222
2023		16,222
Thereafter		316,171
	$	397,281

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

The Church has temporarily restricted net assets for the purpose of a Leadership Scholar Program as of August 31, 2018 and 2017 of $407,411 and $264,895, respectively.

NOTE 13 - OPERATING LEASES

The Church leases various space through lease agreements which expire at various dates through January, 2038. Total lease expense incurred during the years ended August 31, 2018 and 2017 was $669,988 and $199,026, respectively.

Future minimum lease payments for the remainder of the leases are as follows:

Years Ending August 31,	
2019	$ 1,076,786
2020	1,067,744
2021	1,047,906
2022	957,742
2023	968,646
Thereafter	14,218,463
	$ 19,337,287

NOTE 14 - RETIREMENT PLAN EXPENSES

The Church’s contributions and expenses related to the 403(b) plan during the years ended August 31, 2018 and 2017 were $715,992 and $624,422, respectively.

NOTE 15 - ADVERTISING EXPENSES

Advertising expense was $455,819 and $310,553 for the years ended August 31, 2018 and 2017, respectively.

NOTE 16 - RELATED PARTY TRANSACTIONS

Master Lease Agreement

OSG has entered into a master lease agreement with the Church to lease property commencing the earlier of the date that improvements are substantially completed or September, 2016 with a term of 30 years. The lease payments are set forth in the master lease and are receivable (payable) in quarterly installments during each lease year. For both of the years ended August 31, 2018 and 2017, OSG earned $748,450 of rental income. As of August 31, 2018 and 2017, rent receivable was $767,300 and $388,450, respectively. These transactions were eliminated in consolidation.

Pursuant to the master lease, future minimum rental receipts (payments) to be received in quarterly installments from the master tenant over the next five years and thereafter are as follows:

Years Ending August 31,	
2019	$ 504,288
2020	519,416
2021	534,997
2022	551,052
2023	567,580
Thereafter	18,218,114
	$ 20,895,447

NOTE 17 - NEW MARKET TAX CREDIT (NMTC)

Crossroads financed the development and construction of a building project through the New Market Tax Credit (NMTC) program. PNC New Markets Investment Partners, LLC, a Delaware limited liability company, contributed $2,768,874 in equity to Crossroads OSG Investment Fund, LLC (the "Fund"), an unaffiliated Delaware limited liability company. In conjunction with this equity investment, the Church made a loan of $6,105,723 to the Fund. In turn, the Fund made two Qualified Equity Investments (QEIs) in UNIF V, LLC (UCI sub-CDE), an Ohio limited liability company and community development entity (sub-CDE), and PNC CDE 61, LP (PNC Sub-CDE), a Pennsylvania limited partnership and community development entity (sub-CDE), of $7,251,200 and $1,623,397, respectively. In return, the sub-CDEs allocated $3,461,093 in New Market Tax Credits (the credits) to the Fund. Credits of $2,827,968 were allocated to UCI sub-CDE and $633,125 were allocated to PNC sub-CDE, pursuant to Section 45D of the Internal Revenue Code. UCI sub-CDE and PNC sub-CDE made loans to OSG for $7,033,664 and $1,623,397, respectively, which were used to finance the development and construction of its building project. Crossroads has pledged various assets as collateral for these loans.

Asset Management Fee Reserve

OSG will be required to pay annual asset management fees due to UCI sub-CDE during the NMTC compliance period. Beginning December, 2015, OSG is required to pay UCI sub-CDE service fees of $36,256 and audit and tax fees of $12,000 annually for seven years.

Other

After the seven-year NMTC period expires, it is anticipated that PNC New Markets Investment Partners, LLC will exercise its put option to sell its ownership interest in the Fund to the Church, or the Church will exercise its call option to buy PNC New Markets Investment Partners, LLC's ownership interest, for a predetermined amount and the Fund will be liquidated and its assets distributed to the Church. Immediately after the exit transactions are completed, the Church will be the holder of OSG's notes payable and, as such, the loan will be eliminated in the consolidated financial statements. It is anticipated that the loan will be discharged. The loan agreement also has various financial and negative covenants, including certain reporting requirements that must be met by Crossroads. Loan covenants met as if August 31, 2018.

NOTE 18 - BUSINESS COMBINATION

In December, 2016 the Church acquired most of the assets and liabilities of Crossroads Christian Church of Lexington, Inc. ("Lexington Church"). Lexington Church donated most of its assets to the Church, while the Church assumed the mortgage and other liabilities of Lexington Church. The Boards of both churches prayerfully determined that the churches would be better together than apart.

The Church received land, building, and building improvements with a fair value of $9,130,903, and assumed liabilities, primarily a mortgage, with a fair value of $5,763,727. There was no other consideration transferred as part of the deal. As a result, the Church recognized an inherent contribution of $3,367,176 from the Lexington Church as part of the acquisition.

The acquisition was accounted for under the acquisition method with the acquired assets and liabilities at their estimated fair value as of the acquisition date.

NOTE 19 - SUBSEQUENT EVENTS

In December, 2018 the Church sold a property in Cincinnati, Ohio to an unrelated third party. The sale price for the property was $2,791,600.

The Church has evaluated subsequent events through December 26, 2018, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED AUGUST 31, 2018

ASSETS

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Assets				
Cash	$ 3,668,246	$ 22,713	$ -	$ 3,690,959
Cash- Restricted	407,411	-	-	407,411
Accounts Receivable	734,876	80,000	(80,000)	734,876
Deferred Rent Receivable - Related Party	-	687,300	(687,300)	-
Prepaid Expenses and Other Assets	651,028	-	(41,200)	609,828
Investments	322,265	-	-	322,265
Notes Receivable	42,963	-	-	42,963
Loan Receivable	6,105,723	-	-	6,105,723
Property and Equipment, Net	119,149,890	11,721,464	-	130,871,354
Total Assets	$ 131,082,402	$ 12,511,477	$ (808,500)	$ 142,785,379

LIABILITIES AND NET ASSETS

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Liabilities				
Accounts Payable	$ 1,884,476	$ -	$ (80,000)	$ 1,804,476
Accrued Expenses	731,830	-	-	731,830
Deferred Rent Payable - Related Party	687,300	-	(687,300)	-
Deferred Revenue	583,851	41,200	(41,200)	583,851
Line of Credit	22,000,000	-	-	22,000,000
Notes Payable	29,863,215	8,307,176	-	38,170,391
Total Liabilities	55,750,672	8,348,376	(808,500)	63,290,548
Net Assets				
Unrestricted	74,924,319	4,163,101	-	79,087,420
Temporarily Restricted	407,411	-	-	407,411
Total Net Assets	75,331,730	4,163,101	-	79,494,831
Total Liabilities and Net Assets	$ 131,082,402	$ 12,511,477	$ (808,500)	$ 142,785,379

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED AUGUST 31, 2017

ASSETS

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Assets				
Cash	$ 1,174,541	$ 1,223	$ -	$ 1,175,764
Cash- Restricted	264,895	-	-	264,895
Accounts Receivable	501,179	-	-	501,179
Deferred Rent Receivable - Related Party	-	388,450	(388,450)	-
Prepaid Expenses and Other Assets	914,351	-	(240,084)	674,267
Investments	154,452	-	-	154,452
Notes Receivable	64,405	-	-	64,405
Loan Receivable	6,105,723	-	-	6,105,723
Property and Equipment, Net	115,065,840	12,028,070	-	127,093,910
Total Assets	$ 124,245,386	$ 12,417,743	$ (628,534)	$ 136,034,595

LIABILITIES AND NET ASSETS

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Liabilities				
Accounts Payable	$ 1,512,184	$ -	$ -	$ 1,512,184
Accrued Expenses	2,410,878	-	-	2,410,878
Deferred Rent Payable - Related Party	388,450	-	(388,450)	-
Deferred Revenue	537,067	240,084	(240,084)	537,067
Line of Credit	18,208,407	-	-	18,208,407
Notes Payable	30,450,336	8,294,204	-	38,744,540
Total Liabilities	53,507,322	8,534,288	(628,534)	61,413,076
Net Assets				
Unrestricted	70,473,169	3,883,455	-	74,356,624
Temporarily Restricted	264,895	-	-	264,895
Total Net Assets	70,738,064	3,883,455	-	74,621,519
Total Liabilities and Net Assets	$ 124,245,386	$ 12,417,743	$ (628,534)	$ 136,034,595

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Revenue, Gains, and Other Support				
Ministry Contributions	$ 34,398,250	$ -	$ -	$ 34,398,250
I'm In Campaign	23,844,361	-	-	23,844,361
Mission Trip Contributions	1,529,327	-	-	1,529,327
Camp and Preschool Income	1,160,122	-	-	1,160,122
In-Kind Revenue	117,857	-	-	117,857
Realized Loss	(8,670)	-	-	(8,670)
Interest Income	97,394	-	-	97,394
Gain on Sale of Property and Equipment	3,428,629	-	-	3,428,629
Other Income	99,754	748,450	(748,450)	99,754
Total Revenue, Gains, Other Support	$ 64,667,024	$ 748,450	$ (748,450)	$ 64,667,024
Expenses				
National Team Operations	$ 17,909,631	$ 14,399	$ (748,450)	$ 17,175,580
Campus Operations	18,978,624	-	-	18,978,624
Depreciation	9,831,694	306,606	-	10,138,300
ReachOut	5,677,748	-	-	5,677,748
Information and Technology	5,353,514	-	-	5,353,514
Interest Expense	2,322,147	147,799	-	2,469,946
Total Expenses	60,073,358	468,804	(748,450)	59,793,712
Total Change in Net Assets	4,593,666	279,646	-	4,873,312
Net Assets at Beginning of Year	70,738,064	3,883,455	-	74,621,519
Net Assets at End of Year	$ 75,331,730	$ 4,163,101	$ -	$ 79,494,831

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Revenue, Gains, and Other Support				
Ministry Contributions	$ 32,728,757	$ -	$ -	$ 32,728,757
I'm In Campaign	19,778,657	-	-	19,778,657
Mission Trip Contributions	1,883,265	-	-	1,883,265
Camp and Preschool Income	1,021,686	-	-	1,021,686
In-Kind Revenue	139,776	-	-	139,776
Realized Loss	(4,539)	-	-	(4,539)
Interest Income	94,573			94,573
Gain on Sale of Property and Equipment	255,815	-	-	255,815
Other Income	213,467	748,454	(748,450)	213,471
Total Revenue, Gains, Other Support	$ 56,111,457	$ 748,454	$ (748,450)	$ 56,111,461
Expenses				
National Team Operations	$ 17,450,186	$ 41,279	$ (748,450)	$ 16,743,015
Campus Operations	14,586,744	-	-	14,586,744
Depreciation	7,002,385	307,050	-	7,309,435
ReachOut	6,089,797	-	-	6,089,797
Information and Technology	4,693,729	-	-	4,693,729
Interest Expense	1,417,448	146,865	-	1,564,313
Total Expenses	51,240,289	495,194	(748,450)	50,987,033
Total Change in Net Assets	4,871,168	253,260	-	5,124,428
Net Assets at Beginning of Year	65,866,896	3,630,195	-	69,497,091
Net Assets at End of Year	$ 70,738,064	$ 3,883,455	$ -	$ 74,621,519

See accompanying notes.